

CONDOMINIUM PUBLIC REPORT

Prepared &

Issued by: Developer Ronald I. Nakatsu and Yoshiko Nakatsu

Address c/o Ron Nakatsu Realty
94-354 Hanawai Circle #3

Waipahu, Hawaii 96797

Project Name(*): "RNR CONDOMINIUMS"

Address: 329 Olive Avenue, Wahiawa, Hawaii 96786

Registration No. 5992

(Conversion)

Effective date: June 9, 2006

Expiration date: July 9, 2007

Preparation of this Report:

This report has been prepared by the Developer pursuant to the Condominium Property Act, Chapter 514A, Hawaii Revised Statutes, as amended. This report is not valid unless the Hawaii Real Estate Commission has issued a registration number and effective date for the report.

This report has not been prepared or issued by the Real Estate Commission or any other government agency. Neither the Commission nor any other government agency has judged or approved the merits or value, if any, of the project or of purchasing an apartment in the project.

Buyers are encouraged to read this report carefully, and to seek professional advice before signing a sales contract for the purchase of an apartment in the project.

Expiration Date of Reports. Preliminary Public Reports and Final Public Reports automatically expire thirteen (13) months from the effective date unless a Supplementary Public Report is issued or unless the Commission issues an order, a copy of which is attached to this report, extending the effective date for the report.

Exception: The Real Estate Commission may issue an order, a copy of which shall be attached to this report, that the final public report for a two apartment condominium project shall have no expiration date.

Type of Report:

☐ **PRELIMINARY:**
(yellow)

The developer may not as yet have created the condominium but has filed with the Real Estate Commission minimal information sufficient for a Preliminary Public Report. A Final Public Report will be issued by the developer when complete information is filed.

☒ **FINAL**
(white)

The developer has legally created a condominium and has filed complete information with the Commission.

- ☒ No prior reports have been issued
☐ This report supersedes all prior public reports.
☐ This report must be read together with _____

☐ **SUPPLEMENTARY**
(pink)

This report updates information contained in the:

- ☐ Preliminary Public Report dated: _____
☐ Final Public Report dated: _____
☐ Supplementary Public Report dated: _____

And

- ☐ Supersedes all prior public reports.
☐ Must be read together with _____
☐ This report reactivates the _____
public report(s) which expired on _____

(*) Exactly as named in the Declaration

This material can be made available for individuals with special needs. Please call the Senior Condominium Specialist at 586-2643 to submit your request.

FORM: RECO-30 286/986/189/1190/892/0197/1098/0800/0203/0104

Disclosure Abstract: Separate Disclosure Abstract on this condominium project:

☐ Required and attached to this report. ☒ Not Required - Disclosures covered in this report.

Summary of Changes from Earlier Public Reports:

This summary contains a general description of the changes, if any, made by the developer since the last public report was issued. It is not necessarily all inclusive. Prospective buyers should compare this public report with the earlier reports if they wish to know the specific changes that have been made.

☒ No prior reports have been issued by the developer.

☐ Changes made are as follows:

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General Information on Condominiums

A condominium is a special form of real property. To create a condominium in Hawaii, the requirements of the Condominium Property Act, Chapter 514A, Hawaii Revised Statutes, must be complied with. In addition, certain requirements and approvals of the County in which the project is located must be satisfied and obtained.

Some condominium projects are leasehold. This means that the land or the building(s) and other improvements are leased to the buyer. The lease for the land usually requires that at the end of the lease term, the lessees (apartment owners/tenants) deliver their interest in the land to the lessor (fee property owner). The lease also usually requires that the lessees either (1) convey to the lessor the building(s) and other improvements, including any improvements paid for by the lessees; or (2) remove or dispose of the improvements at the lessee's expense. Leases for individual apartments often require that at the end of the lease term, the lessee deliver to the lessor the apartment, including any improvements placed in the apartment by the lessee.

If you are a typical condominium apartment owner, you will have two kinds of ownership: (1) ownership in your individual apartment; and (2) an undivided interest in the common elements.

"Common elements" are the areas of the condominium project other than the individual apartments. They are owned jointly by all apartment owners and include the land, either in fee simple or leasehold, and those parts of the building or buildings intended for common use such as foundations, columns, roofs, halls, elevators, and the like. Your undivided interest in the common elements cannot be separated from ownership of your apartment.

In some condominium projects, some common elements are reserved for the exclusive use of the owners of certain apartments. These common elements are called "limited common elements" and may include parking stalls, patios, lanais, trash chutes, and the like.

You will be entitled to exclusive ownership and possession of your apartment. Condominium apartments may be individually bought, sold, rented, mortgaged or encumbered, and may be disposed of by will, gift, or operation of law.

Your apartment will, however, be part of the group of apartments that comprise the condominium project. Study the project's Declaration, Bylaws, and House Rules. These documents contain important information on the use and occupancy of apartments and the common elements as well as the rules of conduct for owners, tenants, and guests.

Operation of the Condominium Project

The Association of Apartment Owners is the entity through which apartment owners may take action with regard to the administration, management, and operation of the condominium project. Each apartment owner is automatically a member of the Association.

The Board of Directors is the governing body of the Association. Unless you serve as a board member or an officer, or are on a committee appointed by the board, your participation in the administration and operation of the condominium project will in most cases be limited to your right to vote as an apartment owner. The Board of Directors and officers can take certain actions without a vote of the owners. For example, the board may hire and fire employees, increase or decrease maintenance fees, borrow money for repair and improvements and set a budget. Some of these actions may significantly impact the apartment owners.

Until there is a sufficient number of purchasers of apartments to elect a majority of the Board of Directors, it is likely that the developer will effectively control the affairs of the Association. It is frequently necessary for the developer to do so during the early stages of development and the developer may reserve certain special rights to do so in the Declaration and Bylaws. Prospective buyers should understand that it is important to all apartment owners that the transition of control from the developer to the apartment owners be accomplished in an orderly manner and in a spirit of cooperation.

I. PERSONS CONNECTED WITH THE PROJECT

Developer:

Ronald I. Nakatsu and Yoshiko Nakatsu

Phone: (808) 677-7777

Name*

(Business)

c/o Ron Nakatsu Realty, Inc., 94-354 Hanawai Circle #3

Business Address

Waipahu, Hawaii 96797-3045

Names of officers and directors of developers who are corporations; general partners of a partnership; partners of a Limited Liability Partnership (LLP); or manager and members of a Limited Liability Company (LLC) (attach separate sheet if necessary):

N/A

Real Estate
Broker*:

Ron Nakatsu Realty, Inc.

Phone: (808) 676-0001

Name

(Business)

94-354 Hanawai Circle #3

Business Address

Waipahu, Hawaii 96797-3045

Escrow:

Title Guaranty Escrow Services, Inc.

Phone: (808) 521-0211

Name

(Business)

235 Queen Street

Business Address

Honolulu, Hawaii 96813

General
Contractor*:

n/a

Phone:

Name

(Business)

Business Address

Condominium
Managing
Agent*:

Cen Pac Properties, Inc.

Phone: (808) 593-2902

Name

(Business)

1150 S. King Street, Suite 1101

Business Address

Honolulu, Hawaii 96814

Attorney for
Developer:

Jennifer A. Aquino, AAL ALC

Phone: (808) 526-9400

Name

(Business)

1188 Bishop Street, Suite 3009

Business Address

Honolulu, Hawaii 96813

* For Entities: Name of corporation, partnership, Limited Liability Partnership (LLP), or Limited Liability Company (LLC)

II. CREATION OF THE CONDOMINIUM; CONDOMINIUM DOCUMENTS

A condominium is created by recording in the Bureau of Conveyances and/or filing with the Land Court a Declaration of Condominium Property Regime, a Condominium Map (File Plan), and the Bylaws of the Association of Apartment Owners. The Condominium Property Act (Chapter 514A, HRS), the Declaration, Bylaws, and House Rules control the rights and obligations of the apartment owners with respect to the project and the common elements, to each other, and to their respective apartments. The provisions of these documents are intended to be, and in most cases are, enforceable in a court of law.

A. **Declaration of Condominium Property Regime** contains a description of the land, buildings, apartments, common elements, limited common elements, common interests and other information relating to the condominium project.

The Declaration for this condominium is:

<input type="checkbox"/>	Proposed		
<input checked="" type="checkbox"/>	Recorded - Bureau of Conveyances	Document No.	<u>2006-068831</u>
		Book	<u> </u> Page <u> </u>
<input type="checkbox"/>	Filed - Land Court	Document No.	<u> </u>

The Declaration referred to above has been amended by the following instruments [state name of document, date and recording/filing information]:

B. **Condominium Map (File Plan)** shows the floor plan, elevation and layout of the condominium project. It also shows the floor plan, location, apartment number, and dimensions of each apartment.

The Condominium Map for this condominium project is:

<input type="checkbox"/>	Proposed		
<input checked="" type="checkbox"/>	Recorded - Bureau of Conveyances	Condo Map No.	<u>4211</u>
<input type="checkbox"/>	Filed - Land Court	Condo Map No.	<u> </u>

The Condominium Map has been amended by the following instruments [state name of document, date and recording/filing information]:

C. **Bylaws of the Association of Apartment Owners** govern the operation of the condominium project. They provide for the manner in which the Board of Directors of the Association of Apartment Owners is elected, the powers and duties of the Board, the manner in which meetings will be conducted, whether pets are prohibited or allowed and other matters which affect how the condominium project will be governed.

The Bylaws for this condominium are:

<input type="checkbox"/>	Proposed		
<input checked="" type="checkbox"/>	Recorded - Bureau of Conveyances	Document No.	<u>2006-068832</u>
		Book	<u> </u> Page <u> </u>
<input type="checkbox"/>	Filed - Land Court	Document No.	<u> </u>

The Bylaws referred to above have been amended by the following instrument [state name of document, date and recording/filing information]:

D. **House Rules**. The Board of Directors may adopt House Rules to govern the use and operation of the common elements and limited common elements. House Rules may cover matters such as parking regulations, hours of operation for common facilities such as recreation areas, use of lanais and requirements for keeping pets. These rules must be followed by owners, tenants, and guests. They do not need to be recorded or filed to be effective. The initial house rules are usually adopted by the developer.

The House Rules for this condominium are:

☐ Proposed ☒ Adopted ☐ Developer does not plan to adopt House Rules.

E. **Changes to Condominium Documents** Changes to the Declaration, Condominium Map, and Bylaws are effective only if they are duly adopted and recorded and/or filed. Changes to House Rules do not need to be recorded or filed to be effective.

1. **Apartment Owners**: Minimum percentage of common interest which must vote for or give written consent to changes:

	<u>Minimum Set by Law</u>	<u>This Condominium</u>
Declaration (and Condo Map)	75%*	<u>75%</u>
Bylaws	65%	<u>65%</u>
House Rules	—	<u>N/A</u>

* The percentages for individual condominium projects may be more than the minimum set by law for projects with five or fewer apartments.

2. **Developer**:

☐ No rights have been reserved by the developer to change the Declaration, Condominium Map, Bylaws or House Rules.

☒ Developer has reserved the following rights to change the Declaration, Condominium Map, Bylaws or House Rules:

See Exhibit "A"

III. THE CONDOMINIUM PROJECT

A. Interest to be Conveyed to Buyer:

- ☒ Fee Simple: Individual apartments and the common elements, which include the underlying land, will be in fee simple.
- ☐ Leasehold or Sub-leasehold: Individual apartments and the common elements, which include the underlying land, will be leasehold.

Leases for the individual apartments and the underlying land usually require that at the end of the lease term, the lessee (apartment owner/tenant) deliver to the lessor (fee property owner) possession of the leased premises and all improvements, including improvements paid for by the lessee.

Exhibit _____ contains further explanations regarding the manner in which the renegotiated lease rents will be calculated and a description of the surrender clause provision(s).

Lease Term Expires: _____ Rent Renegotiation Date(s): _____

Lease Rent Payable: ☐ Monthly ☐ Quarterly
☐ Semi-Annually ☐ Annually

Exhibit _____ contains a schedule of the lease rent for each apartment per: ☐ Month ☐ Year

For Sub-leaseholds:

☐ Buyer's sublease may be canceled if the master lease between the sublessor and fee owner is: ☐ Canceled ☐ Foreclosed

☐ As long as the buyer is not in default, the buyer may continue to occupy the apartment and/or land on the same terms contained in the sublease even if the master lease is canceled or foreclosed.

- ☐ Individual Apartments in Fee Simple ; Common Interest in the Underlying Land in Leasehold or Subleasehold:

Leases for the underlying land usually require that at the end of the lease term, the lessees (apartment owners/tenants) deliver to the lessor (fee property owner) their interest in the land and that they either (1) remove or dispose of the building(s) and other improvements at the lessee's expense; or (2) convey the building(s) and improvements to the lessor, often at a specified price.

Exhibit _____ contains further explanations regarding the manner in which the renegotiated lease rents will be calculated and a description of the surrender clause provision(s).

Lease Term Expires: _____ Rent Renegotiation Date(s): _____

Lease Rent Payable: ☐ Monthly ☐ Quarterly
☐ Semi-Annually ☐ Annually

Exhibit _____ contains a schedule of the lease rent for each apartment per: ☐ Month ☐ Year

[] Other:

IMPORTANT INFORMATION ON LEASEHOLD CONDOMINIUM PROJECTS

The information contained in this report is a summary of the terms of the lease. For more detailed information, you should secure a copy of the lease documents and read them thoroughly.

If you have any legal questions about leasehold property, the lease documents or the terms of the lease and the consequences of becoming a lessee, you should seek the advice of an attorney.

There are currently no statutory provisions for the mandatory conversion of leasehold condominiums and there are no assurances that such measures will be enacted in the future.

In leasehold condominium projects, the buyer of an apartment will acquire the right to occupy and use the apartment for the time stated in the lease agreement. The buyer will not acquire outright or absolute fee simple ownership of the land. The land is owned by the lessor or the leased fee owner. The apartment owner or lessee must make lease rent payments and comply with the terms of the lease or be subject to the lessor's enforcement actions. The lease rent payments are usually fixed at specific amounts for fixed periods of time, and are then subject to renegotiation. Renegotiation may be based on a formula, by arbitration set in the lease agreement, by law or by agreement between the lessor and lessee. The renegotiated lease rents may increase significantly. At the end of the lease, the apartment owners may have to surrender the apartments, the improvements and the land back to the lessor without any compensation (surrender clause).

When leasehold property is sold, title is normally conveyed by means of an assignment of lease, the purpose of which is similar to that of a deed. The legal and practical effect is different because the assignment conveys only the rights and obligations created by the lease, not the property itself.

The developer of this condominium project may have entered into a master ground lease with the fee simple owner of the land in order to develop the project. The developer may have then entered into a sublease or a new lease of the land with the lessee (apartment owner). The developer may lease the improvements to the apartment owner by way of an apartment lease or sublease, or sell the improvements to the apartment owners by way of a condominium conveyance or apartment deed.

B. Underlying Land:

Address: 329 Olive Avenue Tax Map Key (TMK): (1) 7-3-002-070
Waipahu, Hawaii 96786

[] Address [X] TMK is expected to change because Individual CPR numbers will be assigned to
each unit.

Land Area: 6,866 [X] square feet [] acre(s) Zoning: A-2 Medium Density Apt.

Fee Owner:

Ronald I. Nakatsu and Yoshiko Nakatsu

Name _____

c/o Ron Nakatsu Realty, Inc., 94-354 Hanawai Circle #3

Address

Waipahu, Hawaii 96797

Lessor: n/a

Address

C. Buildings and Other Improvements:

1. ☐ New Building(s)
☒ Conversion of Existing Building(s)
☐ Both New Building(s) and Conversion

2. Number of Buildings: One Floors Per Building: Three

[] Exhibit _____ contains further explanations.

3. Principal Construction Material:

☒ Concrete ☐ Hollow Tile ☐ Wood

☒ Other Cement, cement plaster, glass and asphalt shingle roofing

4. Uses Permitted by Zoning:

		No. of Apts.	Uses Permitted By Zoning			
[X]	Residential	8	[X]	Yes	[]	No
[]	Commercial		[]	Yes	[]	No
[]	Mix Res/Comm		[]	Yes	[]	No
[]	Hotel		[]	Yes	[]	No
[]	Timeshare		[]	Yes	[]	No
[]	Ohana		[]	Yes	[]	No
[]	Industrial		[]	Yes	[]	No
[]	Agricultural		[]	Yes	[]	No
[]	Recreational		[]	Yes	[]	No
[]	Other		[]	Yes	[]	No

Is/Are this/these use(s) specifically permitted by the project's Declaration or Bylaws?

☒ Yes ☐ No

5. **Special Use Restrictions:**
The Declaration and Bylaws may contain restrictions on the use and occupancy of the apartments.
Restrictions for this condominium project include but are not limited to:

[] Pets: _____

[] Number of Occupants: _____

[] Other: _____

[X] There are no special restrictions.

6. **Interior** (fill in appropriate numbers):

Elevators: None Stairways: Two Trash Chutes: None

<u>Apt. Type</u>	<u>Quantity</u>	<u>BR/Bath</u>	<u>Net Living Area (sf)*</u>	<u>Net Other Area (sf)</u>	<u>(Identify)</u>
<u>201 & 305</u>	<u>1 ea.</u>	<u>1/1</u>	<u>525</u>	<u>0</u>	_____
<u>202 & 306</u>	<u>1 ea.</u>	<u>2/1</u>	<u>638</u>	<u>0</u>	_____
<u>203 & 307</u>	<u>1 ea.</u>	<u>2/1</u>	<u>630</u>	<u>0</u>	_____
<u>204 & 308</u>	<u>1 ea.</u>	<u>2/1</u>	<u>697</u>	<u>0</u>	_____
_____	_____	_____	_____	_____	_____

Total Apartments: 8

***Net Living Area is the floor area of the apartment measured from the interior surface of the apartment perimeter walls.**

Other documents and maps may give floor area figures which differ from those above because a different method of determining the floor area may have been used.

Boundaries of Each Apartment:

See Exhibit "B"

Permitted Alterations to Apartments:

Apartments Designated for Owner-Occupants Only:

Fifty percent (50%) of **residential** apartments must be so designated; developer has a right to substitute similar apartments for those apartments already designated. Developer must provide this information either in a published announcement or advertisement as required by section 514A-102, HRS; or include the information here in this public report and in the announcement (see attachment 11a). Developer has _____ elected to provide the information in a published announcement or advertisement.

See Exhibit "C"

7. Parking Stalls:

Total Parking Stalls: 12

	<u>Regular</u>		<u>Compact</u>		<u>Tandem</u>		<u>TOTAL</u>
	<u>Covered</u>	<u>Open</u>	<u>Covered</u>	<u>Open</u>	<u>Covered</u>	<u>Open</u>	
Assigned (for each unit)	<u>5*</u>	<u> </u>	<u>6*</u>	<u> </u>	<u> </u>	<u> </u>	<u>11</u>
Guest	<u>1*</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>1</u>
Unassigned	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Extra for Purchase	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Other:	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Covered & Open:	<u>6</u>	<u> </u>	<u>6</u>	<u> </u>	<u>0</u>	<u> </u>	<u>12</u>

Each apartment will have the exclusive use of at least 1 parking stall(s).
Buyers are encouraged to find out which stall(s) will be available for their use.

* All parking stalls are partially covered by the building.

☐ Commercial parking garage permitted in condominium project.

☐ Exhibit contains additional information on parking stalls for this condominium project.

8. Recreational and Other Common Facilities:

☐ There are no recreational or common facilities.

☐ Swimming Pool ☐ Storage Area ☐ Recreation Area

☐ Laundry Area ☐ Tennis Court ☐ Trash Chute/Enclosure(s)

☒ Other: One (1) Guest parking stall

9. Compliance With Building Code and Municipal Regulations; Cost to Cure Violations (See Exhibit "K")

☒ There are no violations. ☐ Violations will not be cured.

☐ Violations and cost to cure are listed below. ☐ Violations will be cured by
(Date)

10. Condition and Expected Useful Life of Structural Components, Mechanical, and Electrical Installations (For conversions of residential apartments in existence for at least five years):

In accordance with the report, dated March 2, 2006, prepared by Ed Resh, Professional Architect No. 3239, a copy of which is attached as Exhibit "D", the buildings are in good structural, mechanical and electrical condition consistent with their age.

11. Conformance to Present Zoning Code

- a. ☒ No variances to zoning code have been granted.
☐ Variance(s) to zoning code was/were granted as follows:

b. Conforming/Non-Conforming Uses, Structures, Lot

In general, a non-conforming use, structure, or lot is a use, structure, or lot which was lawful at one time but does not now conform to present zoning requirements.

	<u>Conforming</u>	<u>Non-Conforming</u>	<u>Illegal</u>
Uses	<u>X</u>	<u> </u>	<u> </u>
Structures	<u>X</u>	<u> </u>	<u> </u>
Lot	<u>X</u>	<u> </u>	<u> </u>

If a variance has been granted or if uses, improvements or lot are either non-conforming or illegal, buyer should consult with county zoning authorities as to possible limitations which may apply.

Limitations may include restrictions on extending, enlarging, or continuing the non-conformity, and restrictions on altering and repairing structures. In some cases, a non-conforming structure that is destroyed or damaged cannot be reconstructed.

The buyer may not be able to obtain financing or insurance if the condominium project has a non-conforming or illegal use, structure, or lot.

D. Common Elements, Limited Common Elements, Common Interest:

1. Common Elements: Common Elements are those parts of the condominium project other than the individual apartments. Although the common elements are owned jointly by all apartment owners, those portions of the common elements which are designated as limited common elements (see paragraph 2 below) may be used only by those apartments to which they are assigned. The common elements for this project, as described in the Declaration, are:

☐ described in Exhibit _____.

☒ as follows:

See Exhibit "E"

2. Limited Common Elements: Limited Common Elements are those common elements which are reserved for the exclusive use of the owners of certain apartments.

☐ There are no limited common elements in this project.

☒ The limited common elements and the apartments which use them, as described in the Declaration, are:

☒ described in Exhibit "F".

☐ as follows:

3. Common Interest: Each apartment will have an undivided fractional interest in all of the common elements. This interest is called the "common interest." It is used to determine each apartment's share of the maintenance fees and other common profits and expenses of the condominium project. It may also be used for other purposes, including voting on matters requiring action by apartment owners. The common interests for the apartments in this project, as described in the Declaration, are:

☐ described in Exhibit _____.

☒ as follows:

Unit 201 and 305	10.542 % each unit
Unit 202 and 306	12.811 % each unit
Unit 203 and 307	12.651 % each unit
Unit 204 and 308	13.996 % each unit

- E. **Encumbrances Against Title**: An encumbrance is a claim against or a liability on the property or a document affecting the title or use of the property. Encumbrances may have an adverse effect on the property or your purchase and ownership of an apartment in the project.

Exhibit " G " describes the encumbrances against the title contained in the title report dated April 6, 2006 and issued by Title Guaranty of Hawaii, Inc.

Blanket Liens:

A blanket lien is an encumbrance (such as a mortgage) on the entire condominium project that secures some type of monetary debt (such as a loan) or other obligation. A blanket lien is usually released on an apartment-by-apartment basis upon payment of specified sums so that individual apartments can be conveyed to buyers free and clear of the lien.

[] There are no blanket liens affecting title to the individual apartments.

[X] There are blanket liens which may affect title to the individual apartments.

Blanket liens (except for improvement district or utility assessments) must be released before the developer conveys the apartment to a buyer. The buyer's interest will be affected if the developer defaults and the lien is foreclosed prior to conveying the apartment to buyer.

<u>Type of Lien</u>	<u>Effect on Buyer's Interest and Deposit if Developer Defaults or Lien is Foreclosed Prior to Conveyance</u>
Mortgages	Buyer's interest may be terminated and Buyer will be entitled to a refund less any escrow cancellation fees.

F. Construction Warranties:

Warranties for individual apartments and the common elements, including the beginning and ending dates for each warranty, are as follows:

1. Building and Other Improvements:

None, units will be sold "as is".

2. Appliances:

None, units will be sold "as is".

G. **Status of Construction and Date of Completion or Estimated Date of Completion:**

The building was constructed in 1992.

H. **Project Phases:**

The developer [] has [X] has not reserved the right to add to, merge, or phase this condominium.

Summary of Developer's plans or right to perform for future development (such as additions, mergers or phasing):

IV. CONDOMINIUM MANAGEMENT

- A. **Management of the Common Elements:** The Association of Apartment Owners is responsible for the management of the common elements and the overall operation of the condominium project. The Association may be permitted, and in some cases may be required, to employ or retain a condominium managing agent to assist the Association in managing the condominium project.

Initial Condominium Managing Agent: When the developer or the developer's affiliate is the initial condominium managing agent, the management contract must have a term of one year or less and the parties must be able to terminate the contract on notice of 60 days or less.

The initial condominium managing agent for this project, named on page five (5) of this report, is:

☒ [X] not affiliated with the Developer. ☐ [] the Developer or the Developer's affiliate.
☐ [] self-managed by the Association of Apartment Owners ☐ [] Other: _____

B. **Estimate of Initial Maintenance Fees:**

The Association will make assessments against your apartment to provide funds for the operation and maintenance of the condominium project. If you are delinquent in paying the assessments, a lien may be placed on your apartment and the apartment may be sold through a foreclosure proceeding.

Initial maintenance fees are difficult to estimate and tend to increase as the condominium ages. Maintenance fees may vary depending on the services provided.

Exhibit "H" contains a schedule of estimated initial maintenance fees and maintenance fee disbursements (subject to change).

C. **Utility Charges for Apartments:**

Each apartment will be billed separately for utilities except for the following checked utilities which are included in the maintenance fees:

☐ [] None ☐ [] Electricity (☐ _____ Common Elements only ☐ _____ Common Elements & Apartments)
☐ [] Gas (☐ _____ Common Elements only ☐ _____ Common Elements & Apartments)
☒ [X] Water ☒ [X] Sewer ☐ [] Television Cable
☐ [] Other _____

V. MISCELLANEOUS

A. Sales Documents Filed With the Real Estate Commission:

Sales documents on file with the Real Estate Commission include but are not limited to:

- ☒ Notice to Owner Occupants (Proposed) See Exhibit "C"
- ☒ Specimen Sales Contract
Exhibit "I" contains a summary of the pertinent provisions of the sales contract.
- ☒ Escrow Agreement dated March 22, 2006
Exhibit "J" contains a summary of the pertinent provisions of the escrow agreement.
- ☐ Other _____

B. Buyer's Right to Cancel Sales Contract:

1. Rights Under the Condominium Property Act (Chapter 514A, HRS):

Preliminary Report: Sales made by the developer are not binding on the prospective buyer. Sales made by the developer may be binding on the developer unless the developer clearly states in the sales contract that sales are not binding. A prospective buyer who cancels the sale contract is entitled to a refund of all moneys paid, less any escrow cancellation fee up to \$250.00.

Supplementary Report to a Preliminary Report: Same as for Preliminary Report.

Final Report or Supplementary Report to a Final Report: Sales made by the developer are binding if:

- A) The Developer delivers to the buyer a copy of:
- 1) Either the Final Public Report **OR** the Supplementary Public Report which has superseded the Final Public Report for which an effective date has been issued by the Real Estate Commission; **AND**
 - 2) Any other public report issued by the developer prior to the date of delivery, if the report was not previously delivered to the buyer and if the report has not been superseded;
- B) The buyer is given an opportunity to read the report(s); **AND**
- C) One of the following has occurred:
- 1) The buyer has signed a receipt for the report(s) and waived the right to cancel; or
 - 2) Thirty (30) days have passed from the time the report(s) were delivered to the buyer; or
 - 3) The apartment is conveyed to the buyer within 30 days from the date the report(s) were delivered to the buyer.

Material Change: Binding contracts with the Developer may be rescinded by the buyer if:

- A) There is a material change in the project which directly, substantially, and adversely affects (1) the use or value of the buyer's apartment or its limited common elements; or (2) the amenities available for buyer's use; **AND**
- B) The buyer has not waived the right to rescind.

If the buyer rescinds a binding sales contract because there has been a material change, the buyer is entitled to a full and prompt refund of any moneys the buyer paid.

2. Rights Under the Sales Contract: Before signing the sales contract, prospective buyers should ask to see and carefully review all documents relating to the project. If these documents are not in final form, the buyer should ask to see the most recent draft. These include but are not limited to the:

- A) Condominium Public Reports issued by the developer which have been issued an effective date by the Hawaii Real Estate Commission.
- B) Declaration of Condominium Property Regime, as amended.
- C) Bylaws of the Association of Apartment Owners, as amended.
- D) House Rules, if any.
- E) Condominium Map, as amended.
- F) Escrow Agreement.
- G) Hawaii's Condominium Property Act (Chapter 514A, HRS, as amended) and Hawaii Administrative Rules (Chapter 16-107, adopted by the Real Estate Commission, as amended).
- H) Other _____

Copies of the condominium and sales documents and amendments made by the developer are available for review through the developer or through the developer's sales agent, if any. The Condominium Property Regime law (Chapter 514A, HRS) and the Administrative Rules (Chapter 107) are available online. Please refer to the following sites:

Website to access official copy of laws: www.capitol.hawaii.gov
Website to access unofficial copy of laws: www.hawaii.gov/dcca/hrs
Website to access rules: www.hawaii.gov/dcca/har

This Public Report is a part of Registration No. 5992 filed with the Real Estate Commission on April 27, 2006.

Reproduction of Report. When reproduced, this report must be on:

☐ YELLOW paper stock

☒ WHITE paper stock

☐ PINK paper stock

C. Additional Information Not Covered Above

Hazardous Materials

The developer neither prepared nor commissioned a Phase 1 Environmental Site Assessment and makes no representations or warranties whatsoever. The developer has made no independent investigation as to asbestos or other hazardous substances in the apartments or in, under or around the Project, including but not limited to, radioactive materials, organic compounds known as polychlorinated biphenyls, chemicals known to cause cancer or reproductive toxicity, pollutants, contaminants, hazardous wastes, toxic substances, and any and all other substances or materials defined as or included in the definition of "hazardous substances", "hazardous wastes", "hazardous materials" or "toxic substances" under, or for the purposes of, hazardous materials laws. Buyer acknowledges that in light of the age of the Project, there may be asbestos and other hazardous substances in the apartments, or in, under or around the Project. Because of the possible presence of such substances, Buyer should have the apartment inspected to determine the extent (if any) of such contamination and any necessary remedial action. The developer will not correct any defects in the apartments or in the Project or anything installed or contained therein and Buyer expressly releases the developer from any liability to Buyer if any hazardous materials are discovered.

Lead Warning Statement

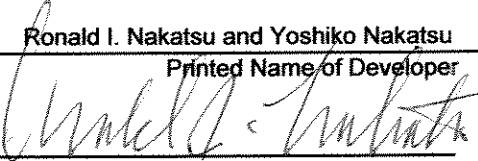
Pursuant to federal law, 42, U.S.C 4852(d), the Residential Lead-Based Paint Reduction Act, "Every purchaser of any interest in residential real property on which a residential dwelling was built prior to 1978 is notified that such property may present exposure to lead from lead-based paint that may place young children at risk of developing lead poisoning. Lead poisoning in young children may produce permanent neurological damage, including learning disabilities, reduced intelligence quotient, behavioral problems, and impaired memory. Lead poisoning also poses a particular risk to pregnant women. The seller of any interest in residential real property is required to provide the buyer with any information on lead-based paint hazards from risk assessments or inspections in the seller's possession and notify the buyer of any known lead-based paint hazards. A risk assessment or inspection for possible lead-based paint hazards is recommended prior to purchase."


Real Estate License Disclosure.

Disclosure is hereby made that the developer, Ronald I. Nakatsu, holds an active real estate broker's license in the State of Hawaii and is the Principal Broker and owner of Ron Nakatsu Realty, Inc., the real estate company handling the sale of the units.

- D. The developer declares subject to the penalties set forth in section 514A-49(b) that this project is in compliance with all county zoning and building ordinances and codes, and all other county permitting requirements applicable to the project, pursuant to Act 251 (SLH 2000) [Section 514A-1.6] (The developer is required to make this declaration for issuance of an effective date for a final public report.)
- E. The developer hereby certifies that all the information contained in this Report and the Exhibits attached to this Report and all documents to be furnished by the developer to buyers concerning the project have been reviewed by the developer and are, to the best of the developer's knowledge, information and belief, true, correct and complete.

Ronald I. Nakatsu and Yoshiko Nakatsu
Printed Name of Developer

By:  APR 14 2006
Duly Authorized Signatory* Date

By:  APR 14 2006
Duly Authorized Signatory* Date

Ronald I. Nakatsu and Yoshiko Nakatsu, Owners
Printed Name & Title of Person Signing Above

Distribution:

Department of Finance, City and County of Honolulu

Planning Department, City and County of Honolulu

****Must be signed for a: corporation by an officer; partnership or Limited Liability Partnership (LLP) by the general partner; Limited Liability Company (LLC) by the manager or member; and for an individual by the individual.***

DEVELOPER'S RESERVED RIGHTS

Pursuant to Section C of the Declaration, the Developer has reserved the following rights:

The Developer has reserved the right at any time prior to the closing of the last sale of the Units in the Project: (1) to grant easements over, across, and under the common elements, including, without limitation, easements for utilities, sanitary and storm sewers, cable television, walkways, roadways and rights-of-way, and (2) to relocate or realign any existing easements and rights-of-way over, across, and under the common elements, including, without limitation, any existing utilities, sanitary and sewer lines, and cable television lines, and connect same, over, across, and under the common elements, provided that such easements and such relocations and connections of lines shall not materially impair or interfere with the use of any Unit.

The Developer has also reserved the right to change the Declaration, Condominium Map, or Bylaws pursuant to Section O of the Declaration as follows:

Notwithstanding the sale and conveyance of any Unit, the Developer may amend the Declaration, the By-Laws, and/or the Condominium Map to effect any changes or amendments required by law, any title insurance company, or any institutional mortgagee, or as may be required by any governmental agency, provided, however, that no amendment made by the Developer as provided for in Section O of the Declaration, that would change the common interest of a Unit, or materially change the design or size of a Unit, or the limited common elements appurtenant thereto, shall be made by the Developer without the consent of all persons having an interest in such Unit.

At anytime prior to the first recording in the Bureau of Conveyances and/or Office of the Assistant Registrar of the Land Court, State of Hawaii, as the case may be, of a conveyance or transfer of a Unit in the Project to any person other than the Developer, the Developer may amend the Declaration, and any of the Exhibits hereto, the By-Laws, and/or the Condominium Map in any manner, without the consent of any purchaser or any other party.

DESCRIPTION AND BOUNDARIES OF UNITS

Section A of the Declaration provides that the Project consists of a three-story building, without a basement, with a total of eight (8) residential units. The building is constructed of cement, cement plaster, glass and asphalt shingle roofing. The first story consists of an open area with assigned parking for the Units. The second and third floors consist of the residential units. As shown on the Condominium Map, there are four (4) units, designated as units "201", "202", "203" and "204", located on the second floor and four (4) units, designated as units "305", "306", "307" and "308", located on the third floor. The units are sometimes referred to herein collectively as "Units" or singularly as "Unit". The term "Unit" as used herein shall have the same meaning as the term "Apartment" in the Condominium Property Act, as the same may be amended from time to time.

(a) Types of Units. Each residential floor contains one (1) one-bedroom/one-bath unit and three (3) two-bedroom/one-bath units. The units are described as follows:

i) Units 201 and 305 are one-story units consisting of one-bedroom, one bath, a living room, a dining room, a kitchen and a hallway. Units 201 and 305 each contain a net living area of approximately 525 square feet.

ii) Units 202 and 306 are one-story units consisting of two-bedrooms, one bath, a living room, a dining area, a kitchen and a hallway. Units 202 and 306 each contain a net living area of approximately 638 square feet.

iii) Units 203 and 307 are one-story units consisting of two-bedrooms, one bath, a living room, a dining area, a kitchen and a hallway. Units 203 and 307 each contain a net living area of approximately 630 square feet.

iv) Units 204 and 308 are one-story units consisting of two-bedrooms, one bath, a living room, a kitchen and a hallway. Units 204 and 308 each contain a net living area of approximately 697 square feet.

(b) Limits of the Units. Each Unit shall not be deemed to include: (i) the undecorated or unfinished interior surfaces of the perimeter walls, (ii) the undecorated or unfinished surfaces of the interior load-bearing walls, (iii) the undecorated or unfinished surfaces of the floors and ceilings surrounding each Unit, or (iv) any pipes, shafts, wires, conduits, ducts, vents, pumps, cables, conduits, or other utility or service lines running through any such Unit which are utilized for or serve more than one Unit, the same being deemed common elements as hereinafter provided. Each Unit shall be deemed to include: (i) all walls and partitions which are not load-bearing within its perimeter walls, (ii) all pipes, shafts, wires, conduits, ducts, vents, pumps, cables, conduits, and other utility or service lines running through such Unit which are utilized for and serve only that Unit, (iii) the inner decorated or finished surfaces of all walls, floors, and ceilings, (iv) all doors and windows (including but not limited to sliding glass doors, windows, or panels along the perimeter), and (v) all fixtures, appliances, built-in cabinets, carpets and floor coverings, and furnishings installed therein.

(c) Access to Common Elements. Each Unit has direct access to outside walkways leading to the parking area, stairs leading to each floor, mail boxes, and courtyard.

RNR Condominiums

Unit No.	Bed/Bath	Net Lvg. Area SF	Estimated Area of Ltd. Common Element	Prkg. Stall	Estimated Monthly Maintenance Fee	Price
201	1/1	525		1		\$225,000
202	2/1	638		2		\$250,000
203	2/1	630		3,4		\$265,000
204	2/1	697		5,6		\$265,000
305	1/1	525		9		\$220,000
306	2/1	638		10,11		\$260,000
307	2/1	630		7		\$245,000
308	2/1	697		8		\$245,000

This is an owner occupant notice for RNR Condominiums which is located at 329 Olive Avenue Wahiawa, Hawaii 96786, TMK: (1) 7-3-002:070. These units shall initially be offered for a 30 day period after the first publication of this announcement to only prospective owner occupants on the reservation list, who will use the residential units as their principal residences for a period of not less than 365 consecutive days. There will be a total of eight (8) fee simple detached units for residential use. Pursuant to Hawaii Revised Statutes Section 514A-102, the units shall be offered for sale upon the issuance of an effective date of the first public report, which is DATE OF FINAL PUBLIC REPORT. None of the eight (8) units are 'accessible and adaptable' as those terms are defined and interpreted in 24 C.F.R. section 100 et. seq. for persons with disabilities. The units will be offered first to tenants occupying the units immediately prior to the conversion who submit the owner-occupant affidavit and earnest money deposit pursuant to Section 514A-105(a), Hawaii Revised Statutes. Any interested person may contact the Project Realtor from 9:00 am. to 3:00 p.m. daily for an owner occupant affidavit and be placed on a reservation list to obtain further project information. Reservations are being taken now at the Realtor's office. The reservation list shall be compiled for a period of 30 days in chronological order beginning with the date of the first announcement dated (DATE OF FIRST AD). A refundable \$1,000 deposit is required with a reservation.

EXHIBIT "C"

Ronald I. Nakatsu
Ron Nakatsu Realty
94-354 Hanawai Circle #3
Waipahu, Hawaii 96797-3003
PHONE: 676-7777 FAX: 671-8562

March 2, 2006

TO: Real Estate Commission
State of Hawaii

RE: 329 Olive Avenue
TMK : 7 - 03 - 02 : 70

I have inspected the structure at 329 Olive Avenue, Wahiawa Hawaii 96786 Condominium Project. Without making any invasive examination of covered components, my observations during this inspection are:

1. The building appears to be in good structural, mechanical, and electrical condition commensurate with their age.

Very truly,



Ed Resh
Registered Professional Architect
No. 3239

EXHIBIT "D"

COMMON ELEMENTS

Section A.2 of the Declaration defines the common elements as all portions of the Project except the Units above described, and shall specifically include, but not be limited to:

- (a) The Land in fee simple.
- (b) All foundations, floor slabs, beams, columns, supports, girders, unfinished perimeter and load-bearing walls, roofs, walkways, corridors, courtyard, railings, stairs, stairways, fences, if any, and entrances and exits of the building.
- (c) All driveways, pavements, walkways, the one (1) guest parking stall as designated on the Condominium Map, planted areas, grounds, and landscaping.
- (d) All existing and future central and appurtenant installations for power, light, water, ventilation, sewer, gas, refuse, telephone, if any, and all pipes, shafts, wires, conduits, cables, ducts, vents and other service and utility lines which are utilized by and service more than one Unit.
- (e) Any and all other apparatus and installations of common use, and all other parts of the Project necessary or convenient to its existence, maintenance, and safety, or normally in common use.

LIMITED COMMON ELEMENTS

Pursuant to Section A.3 of the Declaration, certain parts of the common elements are set aside and reserved for the exclusive use of the Units and shall constitute limited common elements appurtenant thereto. Each Unit shall have an exclusive easement for the use of the limited common elements appurtenant thereto, except as otherwise provided herein. The cost of maintenance, repair, upkeep, and replacement of each limited common element shall be assessed to the owner of the Unit to which such limited common element is appurtenant. The limited common elements shall be appurtenant to each of Unit is as follows:

(a) The right to the exclusive use of at least one (1) parking stall shall be appurtenant to each Unit. The assignment of parking stalls appurtenant to each Unit is shown on the Condominium Map.

(b) Each Unit shall have appurtenant thereto and for the exclusive use thereof one (1) mailbox.

(c) All pipes, shafts, wires, vents, conduits, cables, and other utility and service lines not contained within the Units but used by and servicing only one Unit, shall be appurtenant to and for the exclusive use of the Unit using and serviced by such pipes, shafts, wires, vents, conduits, cables, and other utility and service lines.

ENCUMBRANCES AGAINST TITLE

1. Real Property Taxes, Second Installment, Fiscal Year July 1, 2005 - June 30, 2006.

Tax Key: (1) 7-3-002-070 Area Assessed: 6,866 sq. ft.

Land Classification: APARTMENT

Street Address: 329 OLIVE AVENUE, WAHIAWA, HAWAII 96786

2. The terms and provisions, including the failure to comply with any covenants, conditions and reservations, contained in the following:

INSTRUMENT : DEED

DATED : March 30, 1917

RECORDED : Liber 1115 Page 99

3. Rights-of-way and water rights as were conveyed to the Wahiawa Water Company, Limited, by Deeds dated April 18, 1903, recorded in Liber 266 at Page 26 and Liber 269 at Page 2.

Said rights-of-way were conveyed to the City and County of Honolulu, by instrument dated June 16, 1953, recorded in Liber 2731 at Page 173.

4. MORTGAGE WITH ASSIGNMENTS OF RENTS, SECURITY AGREEMENT AND FINANCING STATEMENT

LOAN/ACCOUNT NO. 90-20531-6-401

MORTGAGOR : RONALD I. NAKATSU and YOSHIKO NAKATSU,
husband and wife

MORTGAGEE : FINANCE FACTORS, LIMITED, a Hawaii corporation

DATED : August 1, 2005

RECORDED : Document No. 2005-154708

AMOUNT : \$400,000.00 - covers the land described herein, besides other
land

Exhibit "G"

5. ASSIGNMENT OF RENTS AND OTHER INCOME

ASSIGNOR : RONALD I. NAKATSU and YOSHIKO NAKATSU,
husband and wife

ASSIGNEE : FINANCE FACTORS, LIMITED, a Hawaii corporation

DATED : August 1, 2005

RECORDED : Document No. 2005-154709

AMOUNT : \$400,000.00

6. FINANCING STATEMENT

DEBTOR : RONALD I. NAKATSU and YOSHIKO NAKATSU

SECURED
PARTY : FINANCE FACTORS, LIMITED, a Hawaii corporation

RECORDED : Document No. 2005-154710

RECORDED ON: August 4, 2005

7. Any unrecorded leases and matters arising from or affecting the same.
8. Condominium Map No. 4211, recorded in the Bureau of Conveyances, State of Hawaii.
9. Terms and provisions, including the failure to comply with conditions, covenants, restrictions or reservations, set forth in that certain Declaration of Condominium Property Regime of RNR CONDOMINIUMS recorded as Document No. 2006-068831.
10. BY-LAWS recorded in the Bureau of Conveyances, State of Hawaii, as Document No. 2006-068832.

EXHIBIT H

ESTIMATE OF INITIAL MAINTENANCE FEES AND ESTIMATE OF MAINTENANCE FEE DISBURSEMENTS

Estimate of Initial Maintenance Fees:

<u>Apartment</u>	<u>Monthly Fee x 12 months = Yearly Total</u>
201 and 305	\$202.41 x 12 = \$2,428.92 per unit
202 and 306	\$245.98 x 12 = \$2,951.71 per unit
203 and 307	\$242.89 x 12 = \$2,914.70 per unit
204 and 308	\$268.72 x 12 = \$3,224.67 per unit

The Real Estate Commission has not reviewed the estimates of maintenance fee assessments and disbursements for their accuracy or sufficiency.

Estimate of Maintenance Fee Disbursements:

Monthly Fee x 12 months = Yearly Total

Utilities and Services

Air Conditioning

Electricity

[]

common elements only

[]

common elements and apartments

Elevator

Gas

[]

common elements only

[]

common elements and apartments

Refuse Collection

Telephone

Water and Sewer

Water

\$105.00 X 12 = \$1,260.00

Sewer

\$215.00 X 12 = \$2,580.00

Maintenance, Repairs and Supplies

Building

Grounds

\$500.00 X 12 = \$6,000.00

Management

Management Fee

\$475.00 X 12 = \$5,700.00

Payroll and Payroll Taxes

Office Expenses

Insurance

\$625.00 X 12 = \$7,500.00

Reserves(*)

Taxes and Government Assessments

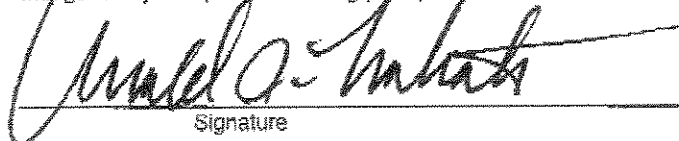
Audit Fees

Other

TOTAL

\$ 23,040.00

I, Ronald I. Nakatsu, as Developer, for the
"RNR Condominiums" condominium project, hereby certify that the above
 estimates of initial maintenance fee assessments and maintenance fee disbursements were prepared in accordance
 with generally accepted accounting principles.


 Signature

4/10/06
 Date

(*) Mandatory reserves assessment and collection in effect beginning 1994 budget year. The Developer is to attach to this exhibit an explanation whether, in arriving at the figure for "Reserves", the Developer has conducted a reserve study in accordance with §514A-83.6, HRS, and the replacement reserve rules, Subchapter 6, Title 16, Chapter 107, Hawaii Administrative Rules, as amended.

Pursuant to §514A-83.6, HRS, a new association created after January 1, 1993, need not collect estimated replacement reserves until the fiscal year which begins after the association's first annual meeting.

EXHIBIT "H", CONTINUED

DEVELOPER'S EXPLANATION FOR "RESERVES"

The Developer has not conducted a reserve study in accordance with Section 514A-83.6, Hawaii Revised Statutes, and the replacement reserve rules, Subchapter 5, Title 16, Chapter 107, Hawaii Administrative Rules, as amended.

End of Exhibit "H"

SUMMARY OF SALES CONTRACT

The specimen Sales Contract (Deposit, Receipt, Offer and Acceptance and Addendum) contains, among other things, the following provisions:

1. Risk of Loss and Insurance. Risk of loss passes to Buyer upon closing or possession, whichever occurs sooner.
2. Time is of the Essence/Default. Time is of the essence of the obligations of Buyer under this Agreement. In the event Buyer fails to perform Buyer's obligations under the Sales Contract, Seller may (a) bring an action for damages for breach of contract, or (b) retain the initial deposit and all additional deposits provided by Buyer as liquidated damages, and the Buyer shall be responsible for any costs incurred in accordance with the Sales Contract.
3. Conversion of Existing Units; No Warranties. Buyer is aware, agrees and affirms that the building was constructed in 1992. To the best of the Seller's knowledge, the Units are in compliance with all ordinances, codes, rules, regulations, or other requirements which were in force at the time of their construction and no variances or special permits have been granted for the property. It is expressly understood and agreed by and between Seller and Buyer that SELLER MAKES NO WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO THE UNIT(S), OR CONSUMER PRODUCTS OR ANYTHING ELSE INSTALLED IN THE UNIT OR IN THE PROJECT, INCLUDING BUT NOT LIMITED TO ANY IMPLIED WARRANTY OF MERCHANTABILITY, HABITABILITY, WORKMANLIKE CONSTRUCTION OR FITNESS OF THE UNIT FOR A PARTICULAR PURPOSE.
4. Existing "As Is" Condition. Buyer agrees the Unit is being purchased in its "AS IS" condition, without any warranties or representations, expressed or implied. Buyer acknowledges that Buyer will be given an opportunity to inspect the Unit and by closing on the sale of the Unit, Buyer accepts the Unit in its "AS IS" condition as provided for herein.
5. Mediation And Arbitration. If any dispute or claim in law or equity arises out of this Agreement, and Buyer and Seller are unable to resolve the dispute themselves, Buyer and Seller agree in good faith to attempt to settle such dispute or claim by mediation under the Commercial Mediation rules of the American Arbitration Association. If such mediation is not successful in resolving such dispute or claim, then such dispute or claim shall be decided by a neutral binding arbitration before a single arbitrator in accordance with the Commercial Arbitration rules of the American Arbitration Association. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. The arbitrator may award reasonable attorney's fees and costs to the prevailing party.

SUMMARY OF ESCROW AGREEMENT

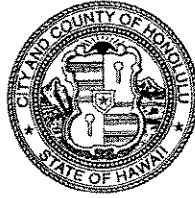
An escrow agreement (hereinafter called the "Escrow Agreement") detailing the manner in which purchasers' funds are to be handled, has been executed and a copy thereof has been filed with the Commission. The Escrow Agent is TITLE GUARANTY ESCROW SERVICES, INC. (hereinafter referred to as "Escrow"). The escrow agreement, among other things, contains the following provisions:

1. Delivery of Sales Contracts. As and when Seller shall enter into a contract for the sale of an Apartment (each "Sales Contract"), Seller shall deliver a fully-executed copy of such Sales Contract to Escrow. Each Sales Contract shall contain the correct names and addresses of the Purchaser(s) of such Apartment, shall require that all payments to be made thereunder shall be made to Escrow, and shall be accompanied by the initial deposit required thereby.
2. Owner-Occupant Sales. If it is intended that the sale of an Apartment will be made to a Purchaser or Purchasers as an owner-occupant pursuant to HRS Chapter 514A, Part VI (each an "Owner-Occupant"), then, and in each such event, the prospective Owner-Occupant shall deliver to Escrow an executed affidavit in accordance with HRS Section 514A-104.5 (each an "Affidavit"). The Affidavit shall be personally executed by all prospective Owner-Occupants of the Apartment and shall not be executed by an attorney-in-fact.
3. Disposition of Funds Held by Escrow. Escrow shall receive and hold in Escrow and disburse as herein set forth: (a) all payments received by Escrow pursuant to Sales Contracts entered into by Seller; (b) all sums received by Escrow from Seller pursuant to this Agreement; and (c) all sums received by Escrow from any other source on account of the Project. In accordance with written instructions from Seller, Escrow shall deposit all funds so received, within a reasonable time after their receipt by Escrow and in reasonably convenient sums, in accounts at a federally insured bank, savings and loan association or other financial institution located in Honolulu, Hawaii, that pays interest on deposits; provided, however, that if Escrow is instructed to make such deposits more frequently than once each calendar week, Seller shall pay to Escrow a reasonable service charge for each additional deposit made during such week.
4. Interest on Escrow Funds. Any interest earned on funds delivered to Escrow under this Agreement shall accrue to the credit of Seller; except that if Escrow is requested to establish a separate account for a Purchaser, such Purchaser shall pay Escrow a fee of Twenty-Five Dollars (\$25.00) for each such separate account and shall provide to Escrow said Purchaser's social security or federal tax identification number, and any interest earned on funds deposited in such account shall accrue to the credit of such Purchaser. Escrow shall not be liable to either Seller or any Purchaser for loss or diminution in funds invested in accordance with such instructions.
5. Return of Funds to Purchaser.
 - A. Each Purchaser shall be entitled to a return of funds deposited by such Purchaser with Escrow, and Escrow shall pay such funds to such Purchaser, with interest to the extent provided in the Sales Contract, if any one of the following occurs:

1. Seller and such Purchaser shall instruct Escrow in writing to return such funds to such Purchaser; or
 2. Seller shall notify Escrow of Seller's exercise of the option to cancel or rescind the Sales Contract entered into by such Purchaser pursuant to any right of cancellation or rescission provided for therein or otherwise available to Seller with respect to which, in accordance with the Sales Contract, Purchaser is entitled to a return of funds deposited by it with Escrow; or
 3. With respect to any Purchaser whose funds were obtained prior to the issuance of the Final Public Report, such Purchaser has exercised such Purchaser's right to cancel the Sales Contract entered into by such Purchaser pursuant to HRS Section 514A-62; or
 4. Such Purchaser has exercised such Purchaser's right to rescind the Sales Contract pursuant to HRS Section 514A-63.
- B. Upon the occurrence of any event described in Section 1 or 2 hereinabove or upon receipt of a written request for a refund from any Purchaser upon the occurrence of any event described in Section 3 or 4 hereinabove, and unless such Purchaser has waived or has been deemed to have waived such Purchaser's right to a refund, Escrow shall deliver to such Purchaser all funds received from such Purchaser, less a cancellation fee to Escrow of not less than Twenty-Five Dollars (\$25.00) per Apartment or a cancellation fee commensurate with the work done by Escrow prior to such cancellation, whichever fee is greater. Upon such payment, said Sales Contract shall be deemed cancelled and any partially executed conveyance document theretofore delivered to Escrow shall be returned to Seller; provided, however, that no refund shall be made to any Purchaser at such Purchaser's request prior to receipt by Seller of written notice from Escrow of Escrow's intention to make such refund.
6. Purchaser's Default. Seller shall give notice in writing to Escrow of the occurrence of each event that creates an obligation on the part of any Purchaser to make any payment to Escrow pursuant to the Sales Contract entered into by such Purchaser, and the amount of and due date for such payment. Upon receipt of any such notice, Escrow shall promptly give such Purchaser notice of the amount and due date of such payment. If such Purchaser fails to make such payment to Escrow on or before the due date thereof or if such Purchaser fails to satisfy any obligation or requirement being handled by Escrow, Escrow shall promptly notify Seller of any such failure on the part of such Purchaser. If Seller subsequently certifies in writing to Escrow that Seller has terminated the Sales Contract in accordance with the terms thereof and provides to Escrow copies of all such notices of termination sent to such Purchaser, Escrow shall thereafter treat all funds of such Purchaser paid on account of such Purchaser's Sales Contract as funds of Seller, and not as funds of such Purchaser. Such funds shall be free of the escrow established by this Agreement and shall be held by Escrow for the account of Seller. Upon written request by Seller, Escrow shall pay such sums to Seller, less any escrow cancellation fee, shall return to Seller any partially executed conveyance documents that had been theretofore delivered to Escrow by Seller and shall hold all other documents theretofore delivered to Escrow in connection with such Purchaser's purchase of an Apartment for any applicable statutory period. Upon completion of the foregoing, Escrow shall thereupon be released from any further duties or liability hereunder to Seller with respect to such funds and such Purchaser.

DEPARTMENT OF PLANNING AND PERMITTING
CITY AND COUNTY OF HONOLULU

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MUFI HANNEMANN
MAYOR

HENRY ENG, FAICP
DIRECTOR

DAVID K. TANOUE
DEPUTY DIRECTOR

2005/ELOG-1965(RLK)

January 4, 2006

Mr. Kirt K. Mizusawa
1585 Kapiolani Boulevard, Suite 1533
Honolulu, Hawaii 96814

Dear Mr. Mizusawa:

Re: Condominium Conversion Project
329 Olive Avenue
Tax Map Key: 7-3-02: 70

This is in response to your letter dated August 16, 2005, requesting verification that the structure on the above-referenced property met all applicable code requirements at the time of construction.

Investigation revealed that the three-story apartment with twelve (12) all-weather-surface off-street parking spaces met all applicable code requirements when it was constructed in 1992 on this 6,866 square-foot A-2 Medium Density Apartment zoned lot.

On June 24, 1993, approval was granted to the proposed subdivision (File No. 93/SUB-74) of a portion of Grant 4616 to Mary E. Clark, into Lot 6-A of 6,866 square feet (for proposed apartment development) and Lot 6-B of 193 square feet (for corner rounding purposes under the provisions of Ordinance No. 91-25, formerly Ordinance 2412).

On December 12, 2005, the owner was notified of a deficiency. There were only eight (8) marked off-street parking spaces, and twelve (12) spaces are required. Follow-up inspection on December 22, 2005, revealed the deficiency was corrected by providing twelve (12) marked off-street parking spaces.

For your information, the Department of Planning and Permitting cannot determine all other nonconforming uses or structures, as a result of the adoption or amendment of any ordinance or code.

EXHIBIT "K"

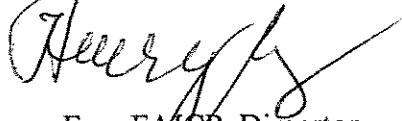
Mr. Kirt K. Mizusawa
January 4, 2006
Page 2

No variances or other permits were granted to allow deviations from any applicable codes.

Conversion to a condominium property regime (CPR) is not recognized by the City and County as an approved subdivision. CPR delineates ownership; it does not create separate lots of record for subdivision and zoning purposes.

If you have any questions regarding this matter, please contact Mr. Ivan Matsumoto of our Commercial and Multi-Family Code Enforcement Branch at 527-6341.

Very truly yours,

A handwritten signature in black ink, appearing to read "Henry Eng", with a long, sweeping horizontal stroke extending to the right.

Henry Eng, FAICP, Director
Department of Planning and Permitting